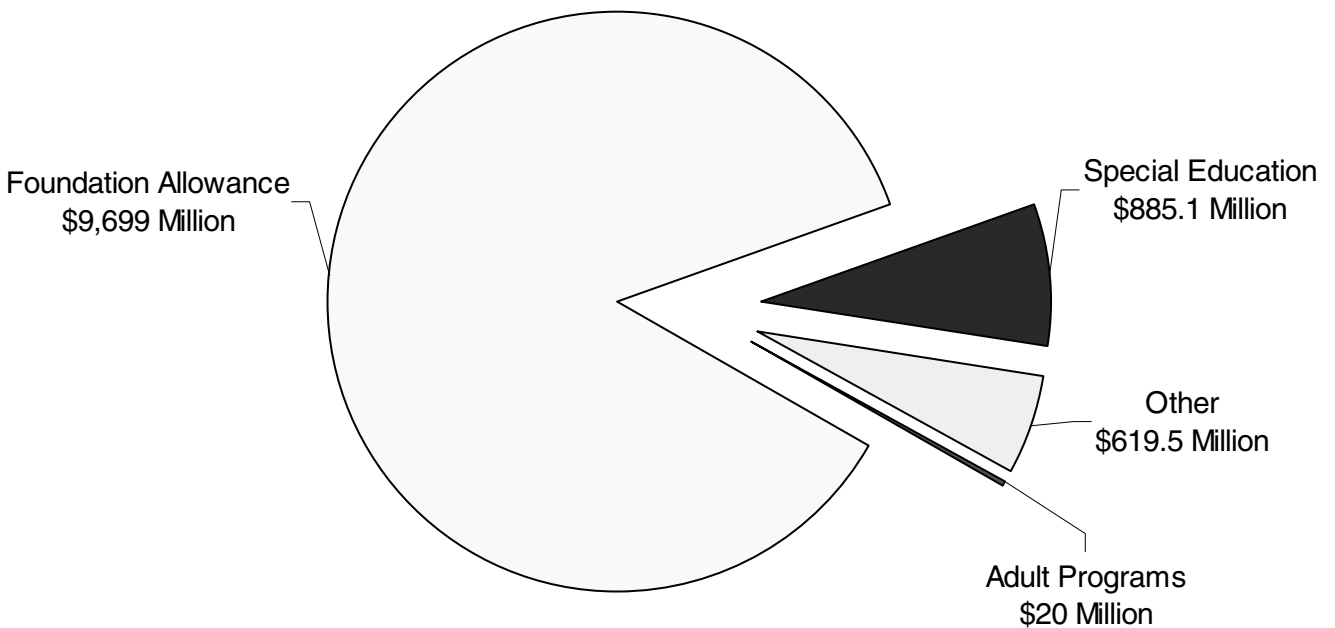


School Aid

The State School Aid budget provides the state's 553 public schools, 189 public school academies and 57 intermediate school districts with the necessary funds to provide educational services to the 1.7 million children enrolled in the K-12 education system. The Governor's proposed budget for fiscal year 2004, while seeing some reductions in order to balance the budget, totals over \$12.4 billion, of which \$11.2 billion is state funds and \$1.2 billion is federal funds. In addition, schools are estimated to have \$3.2 billion in local property tax revenue as well.

Over 85% of State School Aid Funding Supports the Foundation Allowance



Total: \$11.2 Billion

School Aid Budget Highlights

Based on January 2003 revenue estimates, the fiscal year 2004 state school aid fund had a deficit of \$365 million. Governor Granholm proposes to address the problem through a combination of spending reductions and revenue enhancements. Most importantly, however, this proposed budget keeps the Governor's commitment to fully fund the basic foundation allowance at \$6,700 per pupil. Fully funding the foundation allowance provides local districts with the greatest flexibility in determining how educational services are delivered.

- ◆ The budget also protects services for at risk children in the following ways: payments for extra services for academically at risk children will be fully funded at \$314.2 million; in addition, the allowable uses of funds under this program are being expanded to include before and after school programs.
- ◆ School readiness preschool grants of \$72.8 million will be maintained, serving an estimated 22,000 children. These funds, in addition to over \$12.2 million appropriated in the Department of Education budget, provide schools with \$85 million to serve over 25,000 preschool children.

"Already, many of our intermediate school districts are deeply involved in these early childhood education activities and they're making great strides. As I submit my budget, I will ask all 57 of these county-wide and multi-county districts to redefine their mission: to recognize that education begins at age zero; to find ways to educate parents; and to make sure our young children are read to for a half-hour each day."

Governor Granholm, State of the State Address, February 2003

- ◆ The Governor also proposes the implementation of a new preschool program in which intermediate school districts will compete for a total of \$3.3 million to provide programs to children from birth to age 5 and their families. The program's purpose is to improve school readiness and encourage positive parenting skills. Intermediate school districts can receive up to 3.5 percent of their fiscal year 2003 operations payment to support the program.

- ◆ The Governor's recommendation augments the School Aid Fund revenues by refinancing school debt in two ways:
 - 1 Assuming cooperation from local school districts, the State Treasurer will refinance bonds in the School Bond Loan Authority, thereby saving an estimated \$100 million. This entire savings will be deposited in the School Aid Fund.
 - 2 Refinancing of Durant bonds is expected to reduce debt service payments, thus reducing costs in the School Aid Fund by \$40 million.
- ◆ The fiscal year 2004 budget replaces the current general fund subsidy to the School Aid Fund with the deposit of \$198.6 million from a revenue sharing reserve account into the School Aid Fund. This accounting reserve is now available due to passage of P.A. 679 of 2002. Its use to support school district funding will not affect ongoing revenue sharing payments to local governments.

- ◆ Other revenue enhancements supporting the school aid budget include the implementation of Lottery Keno, estimated at \$25 million; breakout lottery tickets, estimated to generate another \$25 million in School Aid Fund revenues; and closing various tax loopholes, which will generate an additional \$20.3 million in School Aid Fund revenues.
- ◆ All constitutionally-protected funding of over \$7.7 billion is held harmless in the fiscal year 2004 budget. Protected programs include:
 - Proposal A guarantee (fiscal year 1995 foundation levels) payments in the amount of \$6.8 billion are protected for both local districts and public school academies.
 - Headlee-mandated special education payments of over \$800 million.
 - *Durant* related payments of \$32 million.
 - School lunch payments are not only protected but will receive an increase of \$3.2 million to fully fund the program at \$21.3 million.
- ◆ Districts struggling with declining enrollments will realize increased revenues by a change in the pupil membership formula from the current blend of 20 percent of the prior-year February pupil count, plus 80 percent of the current-year fall pupil count, to an equal 50 percent weighting of the two counts. The change in membership will also save the School Aid Fund approximately \$40 million.
- ◆ The following categorical items will be increased over the fiscal year 2003 appropriation levels in order to fully fund the programs:
 - Funding for renaissance zone reimbursement is increased by \$17.7 million to \$27.9 million.
 - Funding for the educational costs of court-placed children is increased by \$2 million to \$10.9 million.
- ◆ Although pension costs for school employees will increase in fiscal year 2004, the pension system will absorb those additional costs and the retirement rate charged to schools will remain at the current rate of 12.99 percent. This will save districts over \$100 million in costs that they would otherwise have incurred.
- ◆ Reductions are being proposed in the following categoricals:
 - Adult education will be reduced by \$57.5 million to \$20 million
 - Intermediate school district general operations funding is reduced by \$6.3 million to \$88.7 million.
 - Wireless technology funding administered by the Michigan Virtual University is reduced by \$2.5 million to \$1 million.
 - Intermediate school district special and vocational education millage equalizations are reduced by a total of \$1.5 million (3.25 percent) to \$36.9 million and \$9.5 million, respectively.
 - Operational funding for the Center for Education Performance and Information (CEPI) will be reduced by \$1.1 million to \$900,000.
 - Vocational education is reduced by \$1 million to \$30.0 million.
 - Michigan Virtual High School funding is reduced by \$500,000 to \$1 million.

- ◆ The following programs are being proposed for elimination:
 - Career Preparation Programs (\$22.2 million).
 - Partnership for Adult Learning (PAL) (\$20 million).
 - Math and Science Centers (\$10.2 million).
 - Gifted and Talented Programs (\$5 million).
 - The Standard and Poors' contract, administered by the Center for Education Performance and Information (CEPI) (\$2.5 million).
 - School Health Curriculum Grants (\$3.1 million).
 - Grants to Interagency Multicollaborative Bodies (\$2 million).
 - Accreditation Assistance Grant to the Department of Education (\$2 million).
 - Golden Apple Awards (\$1.3 million).
 - Autism Program Grant to Grand Valley State University (\$500,000).

Fiscal Year 2004 Governor's Recommendation

State School Aid

(\$ in Thousands)

	FY03 Enacted	FY03 Current Law	FY04 Recommended	% Change
GF/GP	\$198,413.5	\$198,413.5	\$0.0	-100.0%
All Funds	\$12,710,380.1	\$12,545,480.1	\$12,467,963.1	-0.6%

Program	GF/GP	All Funds
STATE PROGRAMS		
Proposal A Guarantee (1995 foundation levels)	\$0.0	\$6,826,000.0
Discretionary Payment	\$0.0	\$2,873,000.0
Special Education State Funding	\$0.0	\$848,301.9
At Risk Children Services	\$0.0	\$314,200.0
Intermediate School District General Operations	\$0.0	\$88,721.8
School Readiness Grants	\$0.0	\$72,800.0
Special & Vocational Millage Equalization Payments	\$0.0	\$46,420.7
Durant-Related Cash and Bond Payments	\$0.0	\$32,000.0
Vocational Education	\$0.0	\$30,019.2
Renaissance Zone Reimbursement	\$0.0	\$27,910.0
School Lunch Payments	\$0.0	\$21,300.0
Adult Education	\$0.0	\$20,000.0
Funding for Court Placed Children	\$0.0	\$10,900.0
Bilingual Education	\$0.0	\$4,212.0
Intermediate School District 0-5 Preschool Programs - <i>NEW</i>	\$0.0	\$3,326.0
Michigan Virtual High School & Technology Project	\$0.0	\$2,000.0
Bus Driver Safety	\$0.0	\$1,625.0
Center for Education Performance & Information	\$0.0	\$863.4
FEDERAL PROGRAMS		
No Child Left Behind Act Programs	\$0.0	\$674,894.9
Special Education Federal Funding	\$0.0	\$294,837.2
School Lunch Payments	\$0.0	\$274,631.0
Total FY 2004 Recommendation	\$0.0	\$12,467,963.1